

**DEPARTMENT OF MENTAL HEALTH,
RETARDATION AND HOSPITALS
NEWPORT COUNTY COMMUNITY
MENTAL HEALTH CENTER, INC.
REPORT ON CONTRACT COMPLIANCE
FISCAL YEARS ENDED JUNE 30, 2003 AND 2002**

**DEPARTMENT OF ADMINISTRATION
BUREAU OF AUDITS
ONE CAPITOL HILL
PROVIDENCE, RI 02908-5889**



STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

Department of Administration
BUREAU OF AUDITS
One Capitol Hill
Providence, R.I. 02908-5889
TEL #: (401) 222-2768
FAX #: (401) 222-3973

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS
NEWPORT COUNTY COMMUNITY MENTAL HEALTH CENTER, INC.
REPORT ON CONTRACT COMPLIANCE
FOR THE FISCAL YEARS ENDED JUNE 30, 2003 AND 2002

EXECUTIVE SUMMARY

We had no significant findings to report for the fiscal years ended June 30, 2003 and 2002 and, as such, this report contains no recommendations.

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS
NEWPORT COUNTY COMMUNITY MENTAL HEALTH CENTER, INC.
FISCAL YEARS ENDED JUNE 30, 2003 AND 2002

TABLE OF CONTENTS

	<u>Page</u>
EXECUTIVE SUMMARY	i
TRANSMITTAL LETTER	1
INTRODUCTION	
Objectives, Scope, and Methodology	2
Background	2
AUDITOR'S OPINION	4
FINANCIAL INFORMATION:	
Statement of Revenues and Expenses	
Exhibit A: Fiscal Year Ended June 20, 2003	6
Exhibit B: Fiscal Year Ended June 30, 2002	7
Statement of Operations	
Exhibit C: Title XIX Program	8
Exhibit D: Determination of Over (Under) Payment of State Matching Funds	9
Notes to Financial Information	10
SUPPLEMENTAL INFORMATION:	
Schedule of Matchable and Nonmatchable Revenues	11
FINDINGS	12



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April 14, 2004

Ms. Kathleen M. Spangler, Acting Director
Department of Mental Health, Retardation and Hospitals
Barry Hall -1
14 Harrington Road
Cranston, RI 02920

Dear Ms. Spangler:

We have completed an examination of the contracts between the Department of Mental Health, Retardation and Hospitals (MHRH) and Newport County Community Mental Health Center, Inc., for the fiscal years ended June 30, 2003 and 2002.

The results of our engagement included herein, have been discussed with management and we have considered their comments in the preparation of our report. Since this report discloses no significant findings and recommendations, no written response is necessary as required by Section 35-7-4 of the Rhode Island General Laws.

We wish to express our appreciation to the officials of the Department of MHRH and to the Director and staff members of Newport County Community Mental Health Center, Inc., for the assistance, cooperation and courtesies extended to us during the course of this examination.

Sincerely,

Frank J. Collaro, Jr., CFE, CGFM
Acting Chief, Bureau of Audits

FJC:pp

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS
NEWPORT COUNTY COMMUNITY MENTAL HEALTH CENTER, INC.
FISCAL YEARS ENDED JUNE 30, 2003 AND 2002

INTRODUCTION

Objectives, Scope, and Methodology

The purpose of this examination was to determine compliance with your department's Rules, Regulations and Standards for Funding of Matching Grant Programs in Community Mental Health Centers to the Matching Grant Contracts and with the terms and conditions contained within the Community Support, Residential and Acute Alternative Services Contracts as to:

- whether revenues were matchable or nonmatchable;
- total matchable income used as the basis for funding fiscal years 2005 and 2004;
- whether reported expenses were allowable and properly allocated;
- whether reported revenues were accurate; and
- any over or under funding on behalf of the Department of Mental Health, Retardation and Hospitals.

Our examination of the financial records included verification of revenues and expenses through testing procedures to the extent we deemed necessary in the circumstances. Occupancy requirements and resident contributions were examined for adherence to contract specifications. Client fund management was reviewed for conformance with applicable policies and guidelines.

Background

Section 40.1-8.5-6 of the Rhode Island General Laws of the State of Rhode Island authorizes the Director of the Department of Mental Health, Retardation and Hospitals (MHRH) to make grants to community mental health centers to provide mentally disabled adults services which shall include but not be limited to psychiatric, medical, nursing, psychological, social, rehabilitative and support services provided in the prevention, diagnosis, treatment and follow-up of mental disabilities, and in addition, may include those services designed to prevent mental disabilities or be of a consultative, informational or educational nature about mental disabilities. It is under this authorization that Newport County Mental Health Center, Inc., operates.

It is the intent of the law that an individual's eligibility to receive any public or private assistance be exhausted prior to the expenditure of state and local monies.

The Center owns and occupies a facility located at 127 Johnnycake Hill Road, Middletown, Rhode Island, which houses administrative and most program offices.

The Center is governed by a board of directors consisting of not more than 21 nor less than 15 individuals elected annually.



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Ms. Kathleen M. Spangler, Acting Director
Department of Mental Health, Retardation and Hospitals
Barry Hall - 1
14 Harrington Road
Cranston, RI 02920

Dear Ms. Spangler:

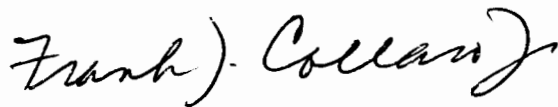
We have performed the procedures enumerated below, which were agreed to by the Department of Mental Health, Retardation and Hospitals (MHRH) and Newport County Community Mental Health Center, Inc., (Center) solely to assist the users in evaluating management's assertion about the Center's compliance with the Division of Behavioral Health's Rules, Regulations and Standards for Funding of Matching Grant Programs in Community Mental Health Centers to the Matching Grant contracts and with the financial terms and conditions contained within the Community Support Residential and Acute Alternatives Services contracts during the fiscal years ended June 30, 2003 and 2002, included in the accompanying Report on Contract Compliance. This agreed-upon procedures engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

For purposes of this engagement we tested compliance with the above-mentioned specified requirements for determining matchable revenues, allowable costs, accuracy of reported activities, and any excess funding on behalf of MHRH. Based on the application of the procedures referred to above, we became aware of revenues exceeding expenses for the fiscal years ended June 30, 2003 and 2002 with the Community Support, Residential and Acute Alternatives Services Contracts, which is discussed in the Findings section of this report. There were no other matters of noncompliance with provisions contained in the financial terms and conditions with the contracts stated above.

We were not engaged to, and did not, perform an examination, the objective of which would be the expression of an opinion on management's assertion. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of MHRH and the Center and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. However, this report is a matter of public record and its distribution is not limited.

Sincerely,

A handwritten signature in black ink, reading "Frank J. Collaro, Jr." in a cursive script.

Frank J. Collaro, Jr., CFE, CGFM
Acting Chief, Bureau of Audits
November 20, 2003

FJC:pp

**DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS
NEWPORT COUNTY COMMUNITY MENTAL HEALTH CENTER, INC.
STATEMENT OF REVENUES AND EXPENSES
FISCAL YEAR ENDED JUNE 30, 2003**

	<u>Community Support Residential, And Acute Alternatives</u>	<u>Adult General Outpatient</u>	<u>Other Programs</u>	<u>Total</u>
<u>Revenues</u>				
MHRH	\$ 434,987	131,124	-	566,111
MHRH-MHSIP	4,500	-	-	4,500
DCYF	-	-	429,023	429,023
Other Grants & Contracts	374,711	2,700	235,388	612,799
Title XIX Medicaid	3,983,341	39,839	1,236,754	5,259,934
Municipalities	-	57,427	76,265	133,692
Contributions	2,888	237	776	3,901
Third Party Reimbursements	39,461	135,330	6,415	181,206
Residential Fees	92,423	-	-	92,423
Miscellaneous	23,854	2,211	18,918	44,983
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Revenues	\$ 4,956,165	368,868	2,003,539	7,328,572
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<u>Expenses</u>				
Personnel	3,690,850	287,044	1,553,322	5,531,216
Operating	887,153	37,230	436,089	1,360,472
Investment Loss	-	-	8,777	8,777
Purchased Equipment	75,823	2,389	15,141	93,353
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Expenses	\$ 4,653,826	326,663	2,013,329	6,993,818
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Excess (Deficiency) of Revenues Over Expenses	\$ 302,339	42,205	(9,790)	334,754
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

See accompanying notes to financial information.

**DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS
NEWPORT COUNTY COMMUNITY MENTAL HEALTH CENTER, INC.
STATEMENT OF REVENUES AND EXPENSES
FISCAL YEAR ENDED JUNE 30, 2002**

	<u>Community Support Residential, and Acute Alternatives</u>	<u>Adult General Outpatient</u>	<u>Other Programs</u>	<u>Total</u>
<u>Revenues</u>				
MHRH	\$ 472,643	122,910	-	595,553
MHRH-MHSIP	2,500	-	-	2,500
DCYF	-	-	429,237	429,237
Other Sources	358,680	-	265,761	624,441
Title XIX Medicaid	3,307,567	70,101	1,303,438	4,681,106
Municipalities	-	60,127	128,304	188,431
Fund Raising & Contributions	-	4,130	-	4,130
Client Services	21,910	47,778	4,066	73,754
Residential Fees	85,399	-	-	85,399
Miscellaneous	28,070	1,057	26,220	55,347
	<u>4,276,769</u>	<u>306,103</u>	<u>2,157,026</u>	<u>6,739,898</u>
Total Revenues	\$ 4,276,769	306,103	2,157,026	6,739,898
<u>Expenses</u>				
Personnel	3,269,569	263,409	1,758,001	5,290,979
Operating	918,160	41,475	491,975	1,451,610
Investment Loss	-	-	29,017	29,017
Purchased Equipment	42,782	1,821	23,833	68,436
	<u>4,230,511</u>	<u>306,705</u>	<u>2,302,826</u>	<u>6,840,042</u>
Total Expenses	\$ 4,230,511	306,705	2,302,826	6,840,042
Excess (Deficiency) of Revenues Over Expenses	\$ 46,258	(602)	(145,800)	(100,144)

See accompanying notes to financial information.

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS
NEWPORT COUNTY COMMUNITY MENTAL HEALTH CENTER, INC.
STATEMENT OF OPERATIONS - TITLE XIX PROGRAM
FISCAL YEARS ENDED JUNE 30, 2003 AND 2002

		Fiscal Year Ended June 30	
		2003	2002
<u>Beginning Balance</u>	\$	-	-
Revenues Received Designated for Programs		<u>5,259,934</u>	<u>4,681,106</u>
<u>Revenues Applied:</u>			
Community Support and Related Services		3,983,341	3,307,567
Adult General Outpatient Program		39,839	70,101
Other Programs		<u>1,236,754</u>	<u>1,303,438</u>
Total Applied		<u>5,259,934</u>	<u>4,681,106</u>
<u>Ending Balance</u>	\$	<u>-</u>	<u>-</u>

See accompanying notes to financial information.

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DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS
NEWPORT COUNTY COMMUNITY MENTAL HEALTH CENTER, INC.
STATE MATCHING PROGRAM
DETERMINATION OF OVER (UNDER) PAYMENT OF STATE MATCHING FUNDS
FISCAL YEARS ENDED JUNE 30, 2003 AND 2002

	Fiscal Year Ended June 30	
	<u>2003</u>	<u>2002</u>
<u>State Funds Allocated</u>		
Adult General Outpatient Services	97,446	92,230
Community Support, Residential and Acute Alternatives	<u>97,446</u>	<u>92,230</u>
	<u>194,892</u>	<u>184,460</u>
Matchable Revenues-Fiscal Years Ended June 30, 2001 and 2000	<u>273,191</u>	<u>183,988</u>
<u>Determination of Over (Under) Payment of State Funds:</u>		
State Funds Allocated (Note 2)	194,892	184,460
Deduct lesser of:		
(a) Applicable percentage of Matchable Revenues	194,892	184,460
(b) State Funds Allocated	194,892	184,460
Maximum Support - Lessor of A or B (Note 3)	<u>194,892</u>	<u>184,460</u>
Over (Under) Payment of State Matching Funds	<u>-</u>	<u>-</u>

See accompanying notes to financial information.

:SP-12d

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS
NEWPORT COUNTY COMMUNITY MENTAL HEALTH CENTER, INC.
FISCAL YEARS ENDED JUNE 30, 2003 AND 2002

NOTES TO FINANCIAL INFORMATION

Note 1 - Significant Accounting Policies

Basis of Accounting:

The financial information is presented on the accrual basis of accounting which is in compliance with the Division of Behavioral Healthcare Service's Rules, Regulations and Standards for Funding of Matching Grant Programs in Community Mental Health Centers. Under this basis, revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred.

Note 2 - State Funds Allocated - Exhibit D

These amounts represent the total of the matching grants encumbered by the Department of MHRH for the operation of Newport County Community Mental Health Center, Inc.

Note 3 - Maximum Support - Exhibit D

State funds allocated are subject to the lesser of the following:

- A. 71.339% of the matchable revenue for the fiscal year ended June 30, 2001 and 100.257% of the matchable revenue for the fiscal year ended June 30, 2000.
- B. The maximum state funding as determined above cannot exceed the dollar amount originally allocated for the respective fiscal year.

Note 4 - Other Programs - Exhibits A and B

This category represents funding from sources other than MHRH Division of Behavioral Healthcare Services mental health programs.

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS
NEWPORT COUNTY COMMUNITY MENTAL HEALTH CENTER, INC.
STATE MATCHING PROGRAM
SCHEDULE OF MATCHABLE AND NONMATCHABLE REVENUES
FISCAL YEARS ENDED JUNE 30, 2003 AND 2002

	Fiscal Year Ended June 30	
	<u>2003</u>	<u>2002</u>
<u>State of Rhode Island</u>		
Adult Outpatient Program	\$ 131,124	122,910
Community Support, Residential and Acute Alternatives	<u>434,987</u>	<u>472,643</u>
 Total State Funds Allocated	 566,111	 595,553
 <u>Matchable Revenues</u>		
Municipalities	249,780	309,335
Contributions-Net	<u>2,241</u>	<u>2,440</u>
 Total Matchable Revenues (For Fiscal Years Ending June 30, 2005 and 2004)	 252,021	 311,775
 <u>Nonmatchable Revenues</u>		
Title XIX Program	5,259,934	4,681,106
Other Programs	931,894	936,964
Third Party Reimbursements	181,206	73,754
Residential Fees	92,423	85,399
Miscellaneous	<u>44,983</u>	<u>55,347</u>
 Total NonMatchable Revenues	 <u>6,510,440</u>	 <u>5,832,570</u>
 Total Revenues (Exhibit A & B, Respectively)	 \$ <u><u>7,328,572</u></u>	 <u><u>6,739,898</u></u>

:SP-12s

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS
NEWPORT COUNTY COMMUNITY MENTAL HEALTH CENTER, INC.
FISCAL YEARS ENDED JUNE 30, 2003 AND 2002

FINDINGS

Net Operations

Net operating results for the Center's programs for the fiscal years ended June 30, 2003 and 2002 are summarized below:

Revenue Excess (Deficiency) - Exhibits A and B

<u>Program</u>	<u>2003</u>	<u>2002</u>
Community Support, Residential, and Acute Alternatives	\$ 302,339	\$ 46,258
Adult General Outpatient	42,205	(602)
Other Programs	<u>9,790</u>	<u>(145,800)</u>
Total Revenue (Deficiency)	\$ <u>334,754</u>	\$ <u>(100,144)</u>

Community Support, Residential, and Acute Alternatives

The Community Support, Residential, and Acute Alternatives Program had excess revenue in the amount of \$302,339 and \$46,258 for the fiscal years ended June 30, 2003 and 2002, respectively (See Exhibits A and B). The Department of MHRH determines the use and disposition of excess revenues.

State Matching Program

It was determined that there was no over or under payment of state matching funds during the period audited. (See Exhibit D).

Matchable Revenues were examined for fiscal years ended June 30, 2003 and 2002 and are summarized as follows:

	<u>2003</u>	<u>2002</u>
Municipal Revenues	\$ 249,780	\$ 309,335
Net - Contributions	<u>2,241</u>	<u>2,440</u>
Total Matchable Revenues	\$ <u>252,021</u>	\$ <u>311,775</u>

Funds received in the fiscal years ended June 30, 2003 and 2002 will be the basis for determining state funds allocated by the Department of MHRH for the subsequent fiscal years ending June 30, 2005 and 2004, respectively.

Revenue Deficiencies

It is our understanding that each contract stands on its own and that any expenses in excess of the contracted amounts be absorbed by the provider.

During the period audited the following Division of Behavioral Health Service's contracts had a revenue deficiency (Exhibit B):

2002 - Adult General Outpatient \$ 602

Investment

In fiscal year 2001, eight not-for-profit organizations, including the Center, formed a for-profit joint venture organization, the Quality Care Company, LLC (the Company). The Company was formed to coordinate care planning and wrap around services for children with special needs who have Medicaid. The Company was certified by the R.I. Department of Human Services as a CEDARR (Comprehensive Evaluation Diagnosis Assessment Referral and/or Reevaluation) Center. The Center will obtain referrals from the Company to provide clinical services. The Center incurred investment losses of \$8,777 and \$29,017 for the fiscal years ended June 30, 2003 and 2002, respectively.